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Forward looking statements

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Operator: Hello, and welcome to today's Man Group Conference Call for Investors with Peter Clarke, Chief Executive, and Kevin Hayes, Finance Director of Man Group. During this call all participants will be in listen-only mode and afterwards there will be a question and answer session. I'll now hand you over to Mr Clarke. Mr Clarke, please begin.

Peter Clarke: Okay. Thank you very much and good morning everyone who is on the call. Thanks for participating on this.

You will have hopefully all seen this morning's third quarter FUM update and interim management statement. So what I will do is make some observations on that and give some perspective to it and then, as you've heard from the introduction, we will as usual open up to Q and A.

So a backdrop to the quarter, clearly a very challenging environment in markets during our third quarter of the financial year, the fourth quarter of the calendar year, but despite that you will have seen from the release that we saw very robust private investor sales of $2.7 billion, including that IP220 launch, the launch that we closed in November of last year in the thick of these markets where we raised $580 million of client money which was an outstanding result. And that has led overall to net inflows into our guaranteed product range, which as you all know is the core of the group's private investor range and indeed our highest margin content.

We saw a net outflow from the private investor open-ended product range with redemptions ticking up, as I anticipated and we mentioned in November. The open-ended product is always what I describe as our highest velocity FUM. It's quicker in, it's quicker out. In this market, notwithstanding the very strong performance of AHL during the period, we did see people taking money out of the open-ended product, clearly not as a function of our performance but presumably the function of what they were seeing elsewhere in the markets and their wish to realise profits as a result of their Man open-ended product holding.

Also in the context of the private investor piece, we have now substantially completed the MGS de-risk process that we told you about back in November. It's on track, if anything it's probably slightly ahead of schedule, and associated rebalancing with that reduced funds under management by $9.7 billion in the period. So it's that de-risking and rebalancing which is the material cause of the reduction in assets under management. It's not a flows issue for us in the private investor; it is a de-risking of MGS, which we talked about.

A word on the rebalancing. You will see from the table, if you look at the schedule at the back of the release, there is an analysis of the MGS product. You will see that the MGS component of our FUM has gone down to about $2.2 billion, so as we said substantially complete, there's virtually no leverage left in that. That's client trading capital. But as we have reduced that to maintain appropriate balance in the investment product in accordance with the mandate and most of the MGS product has been sold as part of a guaranteed product which has investment restrictions around the mandate, we have also reduced the exposure to AHL and in small measure to Glenwood.

So the combination of those two impacts is the principal change in assets under management and I would say that the de-risking of MGS through that quarter has clearly been of benefit. It was a difficult quarter for the industry and our product performance through that period has been a standout against the industry for the private investor and reflects the action that we took to adjust risk accordingly through that period. As you will have noted hopefully from the announcement, those moves to protect client capital position investors' assets appropriately into the markets also mean, of course, that all the guarantees across those products remain absolutely intact. So there is no guarantee impairment for any of our investors in MGS where we de-risk, or indeed anywhere else in the private investor space.

So those, as I say, were the main points of the de-risk and it's largely all done now. There's no material de-risk left to go.

Perhaps the most pleasing component of all of this is performance in the third quarter. We added $1.2 billion overall to our assets under management as a result of performance. AHL you will have seen up particularly strongly in the third quarter, up 22%, and our IP220 product, which is our main component of the guaranteed product which is the AHL and Glenwood combination, up 17% in that quarter. So, extremely pleasing performance for our investors, adding to assets under management in terms of investment movement and generating significant performance fees for shareholders in the third quarter.

You will have probably noticed as well this morning the latest AHL moves off the weekly moves that we announced and from that you will be able to see that the AHL product range so far through January is also virtually at peak. It's less than 1% away from peak. So if we continue to see positive performance in AHL, the prospect is for further performance fee income and further investment, positive investment movements, for FUM into our fourth quarter.

Moving on to the institutional sales environment, clearly, as I have said, it was a very subdued quarter. We only raised about $400 million in the period as investors stood back from markets to see what was happening, biding their time in times of tempestuous markets, but also redeeming out of hedge funds generally and RMF felt its own effect there to give us an outflow of just over $2 billion from the institutional environment.

The reasons for redemption are not relative performance within hedge funds because, as you can see, the RMF performance statistics for the quarter, and indeed for the year, are markedly better than the hedge fund index. So RMF is outperforming the index in the context of that period and the reasons for redemptions are largely around institutional investors having views of de-risking their own portfolio and in some cases also having to rebalance their own portfolio to reflect the fact that many of the other assets they've been holding have fallen more sharply than their hedge fund components and therefore they've had to reduce the hedge fund component to maintain overall balance in their own portfolio.

In terms of the outlook, I've observed that I think the institutional sales environment will remain subdued, probably for the first half of 2009, and we will continue to see redemptions in that period. So I would expect to see continued outflows from the institutional investor for the next two quarters but I would hope that by then we will be seeing prospects for investment mandates from the institutional community as they redeploy capital back into markets around there. They may do so more quickly or more slowly, obviously that will depend on our performance and what's happening in the markets.

For the private investor, demand for managed futures remains obviously high: it's liquid; it's transparent; it's performing well. The flexibility we have in having within our organisation the world's largest managed futures manager is that we can mix that into our product offering which, as I say, in the current environment is very attractive, both in terms of liquidity and transparency, and across cycle has this ability historically, and we're seeing it again now, to provide real positive performance at times when markets become more dislocated generally across other asset classes. Of course, our wide geography of investor helps us here because we're selling content to a very wide geographic range of investor base.

So, to summarise for Q3 and then we'll do questions. We've performed for our investors; we've seen assets under management increase as a result of investment performance; we've reduced investment exposure within MGS which has proved to be an appropriate move to protect capital into what we thought would be a difficult third quarter for financial markets, and indeed it was. We've earned significant performance fees for our shareholders. We've maintained our substantial regulatory capital surplus. That's unchanged, even after paying the interim dividends. And we've continued to maintain our very significant standby liquidity facilities which we've not had to use. And we begin Q4 with AHL pretty much at NAV highs. So, in summary, those were the points I wanted to draw out for you from the call.

So what I would like to do now is to stop and offer up questions, and I think we hand back to the operator to give you instructions on how to ask questions.

Operator: Thank you very much. If you are on the phones and you have any questions or comments at this stage could I please ask you to press 01 on your phone keypad now and you'll enter a queue, and then after you're announced just ask your question. And if you find your question has been answered before it's your turn to speak just press 02 to cancel. So once again, if you have any questions could you please press 01 on your phone keypad now.

We're just getting the questions in the queue. Okay, the first question is from Haley Tam of Citigroup. Hayley, please go ahead with your question now.

Hayley Tam: Good morning, Peter. Good morning, gentlemen.

Peter Clarke: Good morning.

Hayley Tam: Can I ask three quick questions, please? The first one is can you clarify exactly what the surplus capital and also the net cash positions are at the end of December? Secondly, as you have done for the institutional business, is it possible for you to make any sort of overall comments on your expectations for the direction of private investor flows, given the comments you've made about the balance between fast moving flows on the open-ended side and your ability to offer AHL capital guaranteed products? And third, probably the longest question, can you make any comment at all about how you might structure some of the non-AHL or AHL mix or something else, capital guaranteed products in the future in the light of the low availability of leverage? Thank you.

Peter Clarke: Okay, Hayley. Thank you for that. Why don't I do two and three and I'll ask Kevin to do number one.

On two, direction of private investor flows, we have product which has performed and which is attractive. We have product that we can provide a capital guarantee on which is what some people want in this environment, they want protection against

capital impairment, others want liquidity, frequent liquidity so that they can come in and out at times of their own choosing. Now, we can do both.

We have product, so the real question is to what extent these markets create an environment where the private investor really doesn't want to do anything at all. If they are minded to make any investment then I think we are in a position to supply them with what they will want in these markets.

What does all of that mean? This is guessing because obviously I don't know what's going to happen over the next two quarters or more but what I would say is that I would expect private investor net flows to be roughly in balance, plus or minus. It's possible that we'll see very strong demand for AHL and make that positive. It's also possible that the environment will remain very difficult in markets generally and therefore in and out flows will be more in balance. So I'm not really trying to guide either side in terms of net flows from the private investor.

In terms of the non-AHL content that you asked about, particularly in the context of funding availability, clearly the environment for funding anything at all is tight. In the context of Man's products, particularly something like the IP220 product maintains significant product liquidity by having the liquidity characteristics of AHL in it and AHL doesn't require any funding into product structures, as I think you're all aware. So the question really is what funding is available to the non-AHL content.

The managed account platform clearly has been instrumental in providing both flexibility and confidence for the providers of leverage to fund. We've witnessed through the MGS deleverage process, where we have engaged the banks and prime brokers through that process, that we can materially move assets through those structures without disrupting the leverage provider. So they have got confidence as a result of that that they can come in and out of Man product intact, as it were, without exposure from a lending perspective.

So a longwinded way of saying that I think we're in as good a position as we can possibly be in an environment of constrained finance but obviously we will look to make sure that we are not over-levering product. Investors want lower volatility products anyway in this environment, so we can probably accommodate that by having less leverage in the structure and quite possibly we're going to see higher un-levered returns in the markets anyway going forward. So, as we sit here at the moment, I'm not unduly concerned about our ability to structure product that meets those requirements.

The first question I'll pass back to Kevin.

Kevin Hayes: Sure. With regard to our capital, we've maintained our regulatory capital surplus consistent with the September position, around about $1.5 billion. That's after paying the dividend. So we continue to have a business that is highly cash generative. The balance sheet dynamic has not changed significantly from September. We've maintained our overall liquidity in cash balances. Through the MGS deleverage process we have not increased our loans to funds to any degree other than what you saw in the September balance sheet. So no particular changes in the liquidity of the underlying balance sheet. And as Peter mentioned, we continue to have access to capital through our undrawn committed facilities.

Hayley Tam: Thank you very much.

Operator: Okay, the next question is from Michael Long of KBW. Please go ahead, sir.

Michael Long: Hi. Good morning. I just wanted to ask a question again about the private investor flows. I don't know if you can comment much more. In terms of the guaranteed I can see that still remains pretty strong but the open-ended products have seemed to drop off somewhat in the third quarter. I know that may be somewhat due to the strong performance of AHL. Do you think that sort of drop-off and also the increase in redemptions has come to an end as a result of that or do you think the open-ended product side is going to still remain weak, both in terms of new sales and in terms of redemptions as well going forwards?

Peter Clarke: Michael, thanks for the question. It's a complicated set of drivers on the open-ended product. My guess, and this is purely a guess, is that the 31 December environment did cause us to see redemptions out of the open-ended product. I mean, 31 December has just been a calendar year end. People look at what has happened during the calendar year, they see a part of their investment which has performed very strongly and is liquid and they were probably minded to crystallise some of those profits to address losses elsewhere or just their own cash needs. So I think there is a year end effect for that but, as I said earlier, it will depend on performance. If AHL continues to perform strongly we will see strong inflows into open-ended but it is always the highest velocity part of our FUM. We are always going to see this being the first place to react to performance up and down and to react to other things that are happening.

So if you're asking me to guess, and it is a guess, I would guess that we're not likely to see outflows from open-ended product of this magnitude in the next quarter or two but that is purely a guess.

Michael Long: Thank you very much.

Operator: Okay, the next is Bruce Hamilton of Morgan Stanley. Please go ahead, sir.

Bruce Hamilton: Thanks. Morning, guys. A quick one on the institutional redemption profile. I mean, it clearly looks like you're moving more towards the industry standard 20% to 30% redemption type number if I take what you've just seen likely in Q1. The gross outflow was 9%. I think previously you guided around 5% and thought you had pretty good visibility. So I just wanted to check why there was a difference and in view of sort of made up exposure and other whether we should be -- you know, whether you have good visibility into Q1, given that most people have got to tell you by the end of December?

Peter Clarke: Thanks for that, Bruce. The institutional redemption profile, we are better than the industry. As you pointed out, we're moving perhaps closer towards what the industry is seeing in terms of outflows. RMF's performance has been better than the industry, markedly so, so we would expect that to mean that we retain some advantage in terms of market flows. The gross number for the quarter was higher. We do have some monthly product in there which can redeem in the shorter timeframe than the quarterly. We had some FX impacts in there as well. So, yes, it is a little higher.

The next quarter is looking at being, I would say, broadly similar sort of amounts of flow but, again, there is some monthly ability to redeem in these products, so some of it can come later in the quarter, but I would say that we're in an environment where we're likely to see similar dollar sort of amounts of flows out from the institution. And on the sales side, we have mandates which are ready to deploy in the markets. The question is will the institutional investor feel confident enough in the early part of 2009 or will they wait longer? There was a survey out recently which suggested that

many institutional investors are minded to invest really quite significantly into the first quarter of 2009. I hope that's true but I think many people will be progressively investing through the first half which is why I'm cautious about inflows until markets are more stable.

Bruce Hamilton: Great, thank you.

Operator: Okay. The next question is from Jason Streets of Evolution. Please go ahead, sir.

Jason Streets: Yes. Good morning. Three questions really. The first one on deleveraging. What are the prospects of deleveraging products either than the MGS set? The second question is just on costs. I mean, I think you've enjoyed sort of continuing increases in management fees over the last ... well, as long as I can remember anyway. Now they're going backwards, so I just wondered if you were addressing the costs at all? And the third question is on the dividend. You've made the point that even having paid the interim dividend you've still got the same amount of surplus cash. Should we take that as a reassurance that you'll be paying the final dividend, or maintaining the final dividend I suppose I mean, sort of indefinitely unless things get a lot worse?

Peter Clarke: Firstly on the deleveraging point. The bulk of our guaranteed product that isn't or wasn't MGS, whereas you can see that deleveraging or de-risking has occurred, the bulk of the balance if IP220. And IP220 has accrued significant trading capital as a result of the recent very strong performance we've alluded to and you can see in the stats. It has a higher HL content and is therefore intrinsically more liquid and therefore easier to fund. So, as I said earlier, we don't see an investment management need to de-risk that portion of our portfolio and, notwithstanding the environment, we have funding available to maintain our product structures from third parties, as it were.

So the answer is no. Don't forget that our products do re-gear and de-gear mechanically as part of performance, so I'm talking about a process that would sit outside that, something akin to MGS which is I think what your question is. Obviously mechanically they re-gear and de-gear according to trading performance the whole time but in terms of us intervening or having financing arrangements intervening to trigger a need to de-gear no, we're not currently anticipating anything like that occurring. And indeed actually the level of leverage of external funding that's into those products at the moment is not especially high. I mean, in terms of the guaranteed structures I think there's only about $3.5 billion or something in total across the whole rest of the product, the private investor product range, of leverage, external leverage into that. So in the context of the changes that we saw at MGS, you can see we're now talking about a much less funding dependent product set. So, not likely to be a problem.

On the dividend, clearly we can't make predictions, I can't bind the board on the dividend. We've steered you to, and I think you've heard our Chairman in the past make reference to four of the components that he sees as most important around the board's conclusions around dividend which are our capital surplus, which is unchanged, our availability of liquidity, which as Kevin has explained is unchanged, our earnings for the period, which as you can see, particularly with the availability of performance fees, shouldn't give us any cover issues for the year, and the prospects for the business. And the prospects for the business is a decision input that we'll only have when we're deciding the final dividend in the middle of this year but I would hope that at that point, as I was saying earlier, we're seeing an environment of positive flow. So that's, I think, all I can say about the dividend in terms of factors, that we're not -- I think you should take some degree of reassurance from that but, as I say, I cannot bind the board in terms of forward dividend commitments.

Over to Kevin for costs.

Kevin Hayes: Sure. Yes, I think with regard to our business model we have maintained and have a business model that has a lot of cost flexibility in it. So when you look at the main components of our costs, the cost of distribution is variable with sales. Obviously the private investor side we have a flexible model around the commission base of when, quite frankly, sales don't occur we obviously don't incur that cost of distribution. We have a performance-based compensation model that is completely flexible with performance. And so we have, as I said, a very flexible cost base. With regard to the MGS actions taken, we've also simultaneously taken some action to reduce some costs in that business and it will be a continued focus of ours with the industry dynamic.

Jason Streets: Thanks very much.

Operator: The next call is from Andrew Mitchell of Fox-Pitt Kelton. Please go ahead, sir.

Andrew Mitchell: Thank you. Three questions. The first one I was wondering on the institutional side, you've commented in the past on pressures on fee margins on the sort of standard fund of funds. I would guess that in the current environment that will only have increased. I wonder if we should sort of look for that being a particular feature. Secondly, you mentioned the mechanical leveraging and deleveraging that takes place. I was just wondering whether you could give an idea of the sort of scale of impact that has on the overall FUM, because I guess that in recent quarters there might have been quite a noticeable flex on that front, particularly for AHL where you're targeting the volatility. And then, thirdly, I was wondering if you could give us any help on the actual cost of leverage. Obviously we're seeing policy rates coming down pretty substantially. From what you're saying, I guess it's right not to expect that to be flowing through into your funding costs as yet.

Peter Clarke: Yes. Okay, Andrew. On the cost of leverage point, working backwards through your list, the rates have come down but the margins spread and the haircuts on underlying investments that you can collateralise against those obligations has gone up. So you're right, don't expect for the product funding any net reduction in financing costs for the product.

On the mechanical gearing point and de-gearing and re-gearing point, yes, that's something that always happens. As I said, it moves through. When you get some big moves around that, I think we said -- for example ,when we announced with the interim results in November we told you that one of the reasons that there was an adjustment back to the pre-close statement was that there had been a mechanical de-gearing across the MGS product and that was, I think from memory, about 1 billion or 1.5 billion. So you can see the mechanical process can move you up and down of that sort of order but that was in a very big, moving market. So it's not normally of that magnitude at all. It comes through our sort of foreign exchange and other line in terms of where it sits in terms of our FUM reporting. So it's not typically large but it's a feature, plus or minus, depending on relative performance of each component.

On fee margins, can I just clarify what you were asking about? Were you asking about gross fees or net fees?

Andrew Mitchell: Thinking about the gross fees and in particular obviously on the institutional side.

Peter Clarke: Okay, on the institutional side the gross fee margin is for us a function of a blend of what RMF is holding in terms of the diversified product range and the satellite product range, the satellite product range having a higher fee structure than the fully diversified product, so it does reflect that sort of mix. I think in this environment, and I think we've commented on this before, the allocation decision-making for most investors is not actually a decision taken on fees, it's a decision taken on performance and investment content, and to that extent we're clearly pleased that RMF continues to have performance which is materially better than the industry. So I think the issue for us there is going to be in the short term more about flows than it is about margins.

Andrew Mitchell: Okay, thanks very much.

Operator: Okay, we now go on to Caroline Dorrett of UBS. Please go ahead, ma'am.

Caroline Dorrett: Good morning. Two quick questions, if that's okay. First of all, in terms of the MGS product we now have $3.5 billion of funds under management there. Could you give us a view, two points there, one on the negative side for the potential of any further de-risking or, secondly, on the more positive side for the potential for some re-risking? And then the second question is just whether you're willing to comment on whether there were any fee capital losses incurred in the quarter to December? Thank you.

Peter Clarke: Okay. Thanks, Caroline. On the MGS point, the $2.2 billion that sits in MGS we said that the de-risking process was substantially complete. What we mean by that is that the 2.2 has very little leverage in it at all, less than $1 billion, so a few hundred million dollars of leverage in that residual MGS piece. So any further de risking is not going to have any material impact on FUM.

In terms of re-risking, clearly by definition what is left in MGS represents client capital. There is the ability to re-gear product. We do have lines available for re gearing. We are likely to tread carefully there in view of speed of re-gear, just because of markets. We're also going to be inclined where we can to re gear, as it were, redeploy assets into the most liquid strategies, which is obviously AHL or other managed futures managers in this context, which clearly gives us significant cash leverage into the FUM through managed futures. So we will be cautious, we will move carefully there, but clearly a re-risking of the MGS portfolio is likely to take place in managed futures and that re-gearing impact can be quite positive quite quickly, particularly if positive performance as well. We don't need funding to re-leverage the AHL piece.

Capital losses maybe I pass to Kevin. I don't think there's anything ...

Kevin Hayes: Sure. Maybe just clarify the question. Did you mean proprietary?

Caroline Dorrett: In terms of the $89 million of fee capital losses that you took in the first half, I just wondered whether there was any repetition for the third quarter?

Kevin Hayes: Obviously we have a fee capital portfolio, it's part of the business model of creating and developing further content. We've continued to have about in and around that number. Obviously there has been across the market downward performance, so anticipate that there would be a similar sort of effect on that portfolio.

Caroline Dorrett: Thank you.

Operator: Okay, we now go over to the last question which is from Phillip Middleton of Merrill Lynch. Please go ahead, sir.

Phillip Middleton: Yes, thanks very much. I just wondered could you tell me whether -- you're obviously about to launch a guaranteed AHL product, you say. Is that something you're thinking of offering to some of the MGS funds and have you had any further thoughts on what products you're going to be offering into that? You said it's going to be fairly heavily AHL-based but are, for instance, you seeing increased availability of higher quality content due to the current industry troubles which you're looking to take advantage of?

Peter Clarke: Yes. Good questions, thanks, Phillip. The AHL products coming up, we have a variety of product offerings which is designed to do both the things that you're asking me about. The first is to have a product on the shelf which allows, for example, an MGS investor who wants more leverage into these markets to go into that. That product was available through the end of December and will be available through January. So we do have something on the shelf that people can come into. That is not available in every territory, so there are some people that won't be able to access that because they're in a territory where that product is not available. The reason that it's not available, it just takes time, obviously, to register products in many territories.

So what we've been spending a lot of our time on doing is getting a product which is available across the wide geography of our investor base, and those are the guaranteed AHL products that you were asking us about. How are we reacting to investor wishes here? Well, one of those is a non-guaranteed, yield-paying AHL product; the other is a guaranteed AHL product, pure AHL in a more normal format. We will see where the appetite lies. We do think there is appetite for yield-paying products paid semi-annually. So we think we're addressing both sorts of audiences for that.

In terms of other content, high quality content that we can offer alongside AHL, you're right there as well. We do see an environment where, of course, the hedge fund community more widely are seeing significant outflows and that has created both capacity and willingness on the part of some major hedge fund participants to open up some of their investment management content to us, and indeed to others, and that is an area that we'll also explore in terms of providing content alongside AHL. So, plenty of that.

In terms of geography, we are anticipating doing another Asia launch, Japan-based launch, as usual into sort of March or April of this year and we've got some other interesting AHL-based avenues into other markets in Asia-Pacific. So I would see Asia-Pacific as being particularly interesting again there, an availability of a yield-paying product.

And I would just finally point out that if the world that we're entering into for some time is an environment of low growth, of difficult returns in asset classes generally and very low-yielding cash environments, those are the environments where our products historically have been most powerfully sought, most sought after. So Japan, to remind you, is our single largest private investor location for the guaranteed product and that obviously has been a very low-yielding environment for a long, long time. Similarly here in Switzerland. I'm in Switzerland at the moment. So our product can cater for environments of depressed asset prices and low-yielding cash deposits which may be where we're going for the foreseeable future.

Phillip Middleton: Thank you.

Operator: Okay, that was the final question in the queue. So could I please pass it back to you, Mr Clarke, for any closing comments.

Peter Clarke: Okay. Well, thank you very much. Firstly, thank you to you all for participating in the call. I hope you found that helpful. We have sought in the quarterly narrative to make it as clear to follow as possible, to provide as much detail both in the text and in the tables, and I hope that you found that helpful.

Just to finish by saying that all of the comments that I have made about the future are obviously predictions about what might happen rather than certainty about what will happen but what is clear is that we are very fortunate in having the world's largest managed futures manager which is performing in markets where little else is. So, although people comment upon our reliance on AHL, I think frankly the fact that we've got that and its characteristics in these markets is an enormous strength to the organisation rather than a concern for reliance. I'd rather rely on something like AHL than most other strategies.

So, thank you all for your time and no doubt we'll speak to many of you in due course.

Operator: This now concludes today's call. Thank you all very much for attending.